



# TaxNewsFlash

Canada

## GST and Other Indirect Taxes — Overview of 2022 Changes

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Canadian and non-resident businesses should determine whether they are meeting all of their indirect tax obligations as the end of the year approaches. Many businesses, including platform operators, continue to face new and changing tax obligations as a result of developments related to GST/HST, QST, provincial sales tax (PST) and other indirect taxes. To help you consider these changes, as well as certain upcoming deadlines, we have summarized some of the significant developments. In light of these measures, businesses should take proactive steps to manage their indirect tax compliance obligations, risks and unrecoverable tax costs.

### **Developments in 2022 — Overview**

This *TaxNewsFlash-Canada* provides a quick overview of the following significant indirect tax rules and developments, among others:

#### *Digital platform operators*

- Review filing obligations of GST/HST and QST annual information returns
- Collect British Columbia PST effective July 1, 2022
- Review 2022 Saskatchewan PST changes for audio books
- Review 2022 Manitoba Retail Sales Tax (RST) changes

#### *Digital businesses and other large businesses*

- Prepare for potential new Digital Services Tax

*Vendors of vehicles, boats and aircraft*

- Meet your new Luxury Tax obligations
- Provincial sales taxes and Luxury Tax — Review and monitor provincial guidance

*Employers*

- Meet December 31 GST/HST and QST obligations related to your pension plans
- Check for CPP and EI overpayments

*Financial institutions*

- Review recent GST/HST draft legislation
- Ensure you use the updated GST/HST and QST annual information returns
- Get details from investors by December 31 — For certain investment plans
- Review CRA's updated guidance for insurers on new home warranties
- Update systems for temporary one-year relief of provincial 15% RST for insurers

*Importers and other trade chain partners*

- Prepare for final phase of CARM coming October 2023

*Other considerations*

- Saskatchewan businesses — PST on admission and entertainment charges
- Businesses — Be aware of CRA audit activities

## Digital platform operators

### *Review filing obligations of GST/HST and QST annual information returns*

Operators of electronic platforms that are required to collect and remit GST/HST on certain taxable sales since July 1, 2021 do not have to file a GST/HST annual information return until further notice, according to a CRA announcement. However, these operators are still required to file the new QST annual information return no later than six months after the end of the particular calendar year, under similar QST rules. Operators should monitor any further changes to this GST/HST filing requirement.

For details, see *TaxNewsNow*, “[Platform Operators — GST/HST Annual Information Return Deferred](#)”.

### *Collect British Columbia PST effective July 1, 2022*

Online marketplace facilitators must collect and remit British Columbia PST on many goods, services and software facilitated through their online marketplaces by third parties, effective July 1, 2022. Online marketplace facilitators must also collect British Columbia PST on various taxable services defined as “online marketplace services” effective July 1, 2022. These changes were announced in British Columbia’s 2022 budget. Marketplace facilitators should ensure they are meeting all these new PST obligations.

See *TaxNewsFlash-Canada* 2022-45, “[Online Marketplaces — New B.C. PST Reporting and Collection](#)”, and *TaxNewsFlash-Canada* 2022-34, “[Reminder — Online Marketplaces Face New B.C. PST Rules](#).”

### *Review 2022 Saskatchewan PST changes for audio books*

Saskatchewan announced a new PST exemption for qualifying audio books effective April 1, 2022. Marketplace facilitators should review the tax status of audio books sold and facilitated through their electronic distribution platforms.

See *TaxNewsFlash-Canada* 2022-16, “[Highlights of the 2022 Saskatchewan Budget](#)”, and *TaxNewsFlash-Canada* 2022-20, “[Saskatchewan — Prepare for New PST Changes](#)”.

### *Online platform operators – Review 2022 Manitoba RST changes*

Many online platform operators must collect Manitoba RST on taxable sales facilitated through their platforms since December 1, 2021. Manitoba recently announced limited transitional relief for qualifying online platform operators that have not collected the RST on sales of goods facilitated through their platforms for the period of December 1, 2021 to March 31, 2022 in the recently released legislative amendments

## **Digital businesses and other large businesses**

### *Prepare for potential new Digital Services Tax (DST)*

Online marketplaces and other types of large businesses that meet certain revenue thresholds may be subject to a potential new 3% digital services tax (DST) on qualifying revenues earned as of January 1, 2022. As noted in the 2022 Fall Economic Statement, Canada confirmed that it intends to proceed with the new DST if Pillar One of the OECD/G20’s two-pillar plan related to tax reform is not in place by January 1, 2024. Based on 2021 draft legislation, the new DST would apply to certain revenues earned since January 1, 2022 from online marketplaces, social media, online advertising and user data. Businesses affected by the new DST should ensure their systems are updated to capture the qualifying revenues that may be subject to the DST.

For details, see *TaxNewsFlash-Canada* 2022-48, “[Highlights of the 2022 Federal Fall Economic Update](#)”.

## **Vendors of vehicles, boats and aircraft**

### *Meet your new Luxury Tax obligations*

Many businesses that sell subject vehicles, boats and aircraft must remit a new federal Luxury Tax on qualifying subject items that meet certain price thresholds since September 1, 2022 (subject to transitional rules). Businesses affected by the new tax, including manufacturers, wholesalers, retailers and importers of “subject items”, should ensure their systems are updated to meet their new tax obligations. Other types of businesses may also have obligations under the new Luxury Tax depending on their facts and circumstances, such as where they import subject items or change the use of subject items that were originally non-taxable under the Luxury Tax.

For details, see *TaxNewsNow*, “[Luxury Tax — Aircraft Back On The Radar for September 1, 2022](#)”.

### *Provincial sales taxes and Luxury Tax — Review and monitor provincial guidance*

Saskatchewan and British Columbia have made recent announcements to clarify whether provincial sales tax (PST) applies to the Luxury Tax. Vendors of vehicles, vessels and aircraft subject to the Luxury Tax should monitor any provincial announcements related to the collection of PST on amounts of the new federal Luxury Tax applied to subject items.

In particular, Saskatchewan confirmed, in its updated guidance for new and used recreational vehicles and aircraft, that its provincial PST applies to the total selling price, which includes federal levies such as the new Luxury Tax. On the other hand, British Columbia confirmed that B.C. PST does not apply to the Luxury Tax. Specifically, British Columbia issued updated guidance in which it says it will introduce retroactive legislation to confirm that B.C. PST does not apply to the amount of federal Luxury Tax applied to subject vehicles, aircraft and vessels. The B.C. PST updated guidance confirms that the Luxury Tax is not added to the total price on which PST applies (i.e., no tax on tax).

## **Employers**

### *Meet December 31 GST/HST and QST obligations related to your pension plans*

Many employers that offer registered pension plans to their employees must meet extensive GST/HST and QST obligations by December 31, 2022. Affected employers that have monthly GST/HST and QST reporting periods with a December 31 year-end, are required to remit amounts of GST/HST (and, if applicable, QST) related to pension plan rules by January 31, 2023. Employers should carefully review how the complex GST/HST and QST pension plan rules apply to their specific circumstances, which also extend to master trusts in pension plan structures, to avoid costly tax errors. Additionally, certain

employers and master trusts must also determine if they may be affected by recent draft legislation that may change certain tax calculations and filing obligations.

For details, see *TaxNewsFlash-Canada* 2021-59, “[Employers and Pension Plans — Meet Dec. 31 GST Obligations](#)”.

#### *Check for CPP and EI overpayments*

Eligible employers that have overpaid contributions of Canada Pension Plan (CPP) in 2018 or Employer Insurance (EI) premiums in 2019 must file a refund application by December 31, 2022. For example, an employer may have overpaid contributions and premiums on amounts that were not subject to CPP or EI.

Businesses that have made such remittances, or have made payments on amounts that exceed the maximum insurable earnings or pensionable earnings, may be eligible to claim a refund if they file refund applications within specific time limits (i.e., no later than four years from the end of the year in which the CPP overpayment was made, and no later than three years from the end of the year in which the EI overpayment was made).

#### **Financial Institutions**

##### *Review recent GST/HST draft legislation*

Financial institutions should determine whether recent draft legislation released on August 9, 2022 will affect their 2022 filing obligations and their selected listed financial institutions (SLFIs) status. The draft proposals include various changes to specific SLFI rules, including new rules to determine the SLFI status of certain entities and the calculations of certain adjustments.

##### *Ensure you use the updated GST/HST and QST annual information returns*

Financial institutions, and businesses deemed to be financial institutions, required to file GST/HST annual information returns must file simplified returns for fiscal years ending after December 31, 2021. Affected financial institutions and businesses must now use the recently simplified returns RC7291 “GST/HST and QST Annual Information Return for Selected Listed Financial Institutions” and GST111 “Financial Institution GST/HST Annual Information Return” dated 2021.

These financial institutions and businesses should also be aware of a recent proposal to increase the annual income threshold required to file this annual information return to \$2 million (from \$1 million). These financial institutions may want to monitor the progress of this proposed measure, which was released on August 9, 2022.

##### *Get details from investors by December 31 — For certain investment plans*

Distributed investment plans must collect specific details from many investors each year to ensure they have the proper information to update their systems and file their GST/HST and QST returns. In general, the affected plans must request these details by October 15

every year. However, these plans may need to follow up with investors who have not yet provided the requested data before the end of the year. Plans that do not have the required information by December 31 may have to allocate some of their investors' data to the highest rate HST-participating provinces, which may translate to higher indirect tax costs.

For details, see *TaxNewsNow*, "[Investment Plans — Act Now to Collect GST Details](#)".

### *Review CRA's updated guidance for insurers on new home warranties*

The CRA has advised that qualifying new home warranties issued by insurers are generally considered exempt supply of financial services. The CRA noted its position on the tax status of these warranties on June 1, 2022.

### *Update systems for temporary one-year relief of provincial 15% RST for insurers*

Insurers should ensure their systems are updated to reflect Newfoundland and Labrador's temporary one-year elimination of the provincial 15% RST on home insurance. The temporary relief only applies to qualifying home insurance contracts entered into from April 7, 2022 to April 6, 2023.

For details, see *TaxNewsFlash-Canada* 2022-22 "[Highlights of the 2022 Newfoundland and Labrador Budget](#)".

## **Importers and other trade chain partners**

### *Prepare for final phase of CARM coming October 2023*

Many importers, brokers and other trade chain partners will be affected by important changes coming in 2023 that will significantly affect their operations related to importing goods into Canada. Trade chain partners should review recent draft regulations under the *Customs Act* and the *Customs Tariff* that will change the way they interact with the Canada Border Services Agency (CBSA). The draft regulations support the final phase of CBSA Assessment and Revenue Management (CARM) scheduled for October 2023. These businesses must determine how the final phase of CARM will transform their processes so that they may take appropriate steps to prepare.

For details, see *TaxNewsNow*, "[Trade Chain Partners — CBSA Asks for Input on CARM's Systems and Process Changes](#)".

## **Other considerations**

### *Saskatchewan businesses – PST on admission and entertainment charges*

Many businesses in the entertainment and sports industries, including businesses that organize cultural and sporting events, are required to collect PST on admission and entertainment charges since October 1, 2022. Saskatchewan advises that the PST now applies to various types of entertainment and sports activities including, among others:

- Sporting events
- Concerts
- Museums
- Fairs
- Golf memberships.

A limited number of activities are exempt from this change, including school athletic events, amateur theatre productions, and recreational programs, where specific conditions are met. Saskatchewan has revised its guidance in light of related changes announced in August 2022.

### *Businesses — Be aware of CRA audit activities*

Businesses may face increased audit activities from the tax authorities this year. Specifically, the CRA auditors are catching up after the pandemic caused a slow down in audit activity. As a result, businesses should ensure they meet all the audit timelines and respond promptly to audit queries to help limit issues in reassessments that they may have to contest at the notice of objection stage.

### **We can help**

Your KPMG adviser can help you manage the impact of these and other recent indirect tax changes that may affect your business. We can also help you determine how indirect tax rules in other jurisdictions apply to your business, and assist you in managing your related compliance obligations and in ensuring that you are not missing refund opportunities. For details, contact your KPMG adviser.

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